

SUBSTANCE ABUSE SERVICES CENTER
FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
AND
INDEPENDENT AUDITOR'S REPORTS

SUBSTANCE ABUSE SERVICES CENTER
JUNE 30, 2016 AND 2015

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SUBSTANCE ABUSE SERVICES CENTER

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Eastvedt	President	June 2017
Dan Avenarius	Vice-President	June 2017
Jack Young	Secretary	June 2017
Ron Brosius	Treasurer	June 2017
Sheila Freiburger	Member	June 2017
Lou Fuller	Member	June 2017
Gregory Egan	Member	June 2017
Jan Millenkamp	Member	June 2017
Tim Duggan	Member	June 2017
Sue Davison	At-Large	June 2017
Valerie Bell	At-Large	June 2017
Debra Prier	Executive Director	Indefinite

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Certified Public Accountants

815 Century Drive
Dubuque, Iowa 52002

Independent Auditor's Report

To the Board of Directors
Substance Abuse Services Center

Report on the Financial Statements

We have audited the accompanying Statements of Financial Position of Substance Abuse Services Center (a nonprofit organization), as of June 30, 2016 and 2015, and the related Statements of Activities, Functional Expenses and Cash Flows and the Notes to Financial Statements for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the

risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Substance Abuse Services Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Substance Abuse Services Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Substance Abuse Services Center as of June 30, 2016 and 2015, and the changes in its net assets and, where applicable, cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2016 on our consideration of Substance Abuse Services Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Substance Abuse Services Center's internal control over financial reporting and compliance.

JIM KIRCHER & ASSOCIATES, P.C.

Jim Kircher & Associates, P.C.

Dubuque, Iowa
September 13, 2016

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

Assets	2016	2015
Current Assets:		
Cash	\$ 1,841,041	\$ 1,512,068
Accounts receivable, less allowance for doubtful accounts - 2016 \$ 8,507 and 2015 \$16,473	80,641	52,310
Grants receivable	51,144	117,823
Prepaid expenses	42,825	40,983
Total Current Assets	<u>\$ 2,015,651</u>	<u>\$ 1,723,184</u>
Property and Equipment:		
Leasehold improvements	\$ 319,050	\$ 319,050
Office furniture and equipment	157,447	153,575
Accumulated depreciation and amortization	(288,136)	(258,872)
Net Property and Equipment	<u>\$ 188,361</u>	<u>\$ 213,753</u>
Total Assets	<u><u>\$ 2,204,012</u></u>	<u><u>\$ 1,936,937</u></u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 11,622	\$ 16,558
Accrued salaries	10,821	10,104
Compensated absences	42,858	36,797
Total Current Liabilities	<u>\$ 65,301</u>	<u>\$ 63,459</u>
Net Assets:		
Net Assets - Undesignated	\$ 1,993,322	\$ 1,787,665
Net Assets - Board Designated for Suta Claims	45,389	43,844
Net Assets - Board Designated for an electronic health record	100,000	41,969
Total Net Assets	<u>\$ 2,138,711</u>	<u>\$ 1,873,478</u>
Total Liabilities and Net Assets	<u><u>\$ 2,204,012</u></u>	<u><u>\$ 1,936,937</u></u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>PUBLIC SUPPORT AND REVENUE</u>		
<u>Public Support:</u>		
Iowa Department of Public Health:		
Managed Care -State Funds	\$ 633,119	\$ 511,714
Managed Care-Federal Funds	122,892	276,548
Access To Recovery	75,202	71,493
United Way	30,905	17,206
Cities	400	400
Schools	15,000	15,062
Drug court	73,000	73,000
Gambling Grants	329,580	418,412
Suicide Prevention Grant	12,600	14,400
Dubuque Racing Association Grant	3,872	6,719
U.S. Probation Office - Probation Service	12,070	6,554
Total Public Support	<u>\$ 1,308,640</u>	<u>\$ 1,411,508</u>
<u>Revenue:</u>		
Client Fees	\$ 152,268	\$ 171,138
Third Party Pay	820,009	773,125
Interest on Investments	4,426	3,149
Miscellaneous	151	122
Total Revenue	<u>\$ 976,854</u>	<u>\$ 947,534</u>
Total Public Support and Revenue	<u>\$ 2,285,494</u>	<u>\$ 2,359,042</u>
<u>EXPENSES</u>		
Program Services	\$ 1,714,946	\$ 1,666,816
Support Services	305,315	311,807
Total Expenses	<u>\$ 2,020,261</u>	<u>\$ 1,978,623</u>
Change in Net Assets	\$ 265,233	\$ 380,419
Net Assets Beginning of Year	1,873,478	1,493,059
Net Assets End of Year	<u><u>\$ 2,138,711</u></u>	<u><u>\$ 1,873,478</u></u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services				Total Program Services	Total Administrative Services	Total
	Treatment	NE IA Gambling	Prevention	Linn/Clinnton Gambling			
Salaries	\$ 829,143	\$ 102,320	\$ 21,337	\$ 76,989	\$ 1,029,789	\$ 152,869	\$ 1,182,658
Benefits & taxes	216,766	22,957	2,916	20,315	262,954	49,833	312,787
Total Salaries & Related Expenses	\$ 1,045,909	\$ 125,277	\$ 24,253	\$ 97,304	\$ 1,292,743	\$ 202,702	\$ 1,495,445
Rent	90,198	10,731	833	14,100	115,862	9,251	125,113
Supplies & printing	22,476	1,685	107	1,627	25,895	3,571	29,466
Insurance	9,385	1,106	128	1,149	11,768	1,023	12,791
Postage	2,000	235	21	246	2,502	208	2,710
Dues & subscriptions	331	105	-0-	12	448	6,874	7,322
Business travel	1,748	7,485	454	4,561	14,248	7,192	21,440
Conferences & travel	7,395	2,289	-0-	417	10,101	3,485	13,586
Contract services	104,034	9,504	429	9,760	123,727	23,667	147,394
Telephone & Internet	14,146	2,250	163	5,132	21,691	4,120	25,811
Advertising & promotion	3,312	17,191	27	14,826	35,356	311	35,667
Small equipment & repair	3,924	391	35	795	5,145	277	5,422
Bad debts	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Utilities	2,858	357	23	-0-	3,238	293	3,531
Access to Recovery expenses	29,400	4,419	-0-	1,028	34,847	-0-	34,847
Depreciation	-0-	-0-	-0-	-0-	-0-	29,265	29,265
Miscellaneous	14,548	1,103	212	1,512	17,375	13,076	30,451
Total Expenses	<u>\$ 1,351,664</u>	<u>\$ 184,128</u>	<u>\$ 26,685</u>	<u>\$ 152,469</u>	<u>\$ 1,714,946</u>	<u>\$ 305,315</u>	<u>\$ 2,020,261</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services			Linn/Clinton Gambling	Total Program Services	Total Administrative Services	Total
	Treatment	NE IA Gambling	Prevention				
Salaries	\$ 775,674	\$ 124,661	\$ 21,314	\$ 119,553	\$ 1,041,202	\$ 167,105	\$ 1,208,307
Benefits & taxes	207,207	21,693	2,291	27,143	258,334	44,448	302,782
Total Salaries & Related Expenses	\$ 982,881	\$ 146,354	\$ 23,605	\$ 146,696	\$ 1,299,536	\$ 211,553	\$ 1,511,089
Rent	87,145	13,229	1,665	14,125	116,164	8,974	125,138
Supplies & printing	28,972	1,331	97	1,639	32,039	2,092	34,131
Insurance	6,948	963	150	1,127	9,188	799	9,987
Postage	1,947	294	35	388	2,664	233	2,897
Dues & subscriptions	635	175	13	184	1,007	6,319	7,326
Business travel	3,538	10,671	709	5,195	20,113	6,583	26,696
Conferences & travel	5,830	2,147	461	2,065	10,503	1,907	12,410
Contract services	61,165	8,872	475	8,162	78,674	22,995	101,669
Telephone & Internet	13,773	2,777	242	5,767	22,559	3,556	26,115
Advertising & promotion	1,474	2,426	14	1,874	5,788	101	5,889
Small equipment & repair	3,833	536	36	2,295	6,700	379	7,079
Bad debts	2,845	-0-	-0-	-0-	2,845	-0-	2,845
Utilities	2,379	364	39	-0-	2,782	252	3,034
Access to Recovery expenses	28,175	6,177	-0-	2,644	36,996	-0-	36,996
Depreciation	-0-	-0-	-0-	-0-	-0-	32,648	32,648
Miscellaneous	15,976	1,277	242	1,763	19,258	13,416	32,674
Total Expenses	<u>\$ 1,247,516</u>	<u>\$ 197,593</u>	<u>\$ 27,783</u>	<u>\$ 193,924</u>	<u>\$ 1,666,816</u>	<u>\$ 311,807</u>	<u>\$ 1,978,623</u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities:		
Cash received from patient fees	\$ 943,946	\$ 982,411
Cash received from grants	1,375,319	1,396,907
Cash received from others	151	122
Interest received	4,426	3,149
Cash paid to employees and suppliers	<u>(1,990,997)</u>	<u>(1,956,491)</u>
Net Cash Provided By Operating Activities	\$ 332,845	\$ 426,098
Cash Flows From Investing Activities:		
Redemption (Purchase) of Certificate of Deposit	\$ -0-	\$ -0-
Purchase of leasehold improvements	-0-	-0-
Purchase of property and equipment	<u>(3,872)</u>	<u>(6,719)</u>
Net Cash Provided (Used) From Investing Activities	\$ <u>(3,872)</u>	\$ <u>(6,719)</u>
Net Increase (Decrease) in Cash and Equivalents	\$ 328,973	\$ 419,379
Cash and Equivalents at Beginning of Year	<u>1,512,068</u>	<u>1,092,689</u>
Cash and Equivalents at End of Year	<u>\$ 1,841,041</u>	<u>\$ 1,512,068</u>

SUBSTANCE ABUSE SERVICES CENTER

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

Reconciliation of Changes in Net Assets to Net Cash
from Operating Activities

	2016	2015
Changes in Net Assets	<u>\$ 265,233</u>	<u>\$ 380,419</u>
Adjustments:		
Depreciation	\$ 29,264	\$ 32,648
Changes in Assets and Liabilities:		
(Increase)Decrease in patient accounts receivable	(28,331)	38,148
(Increase) Decrease in grants receivable	66,679	(14,601)
(Increase) Decrease in prepaid expenses	(1,842)	(2,059)
Increase (Decrease) in accounts payable	(4,936)	(1,744)
Increase (Decrease) in accrued salaries	717	(1,275)
Increase (Decrease) in accrued expenses	6,061	(5,438)
Net Adjustments	<u>\$ 67,612</u>	<u>\$ 45,679</u>
Net cash Provided By Operating Activities	<u><u>\$ 332,845</u></u>	<u><u>\$ 426,098</u></u>

See accompanying notes to financial statements.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

(1) Summary of Significant Accounting Policies

The accounting and financial reporting policies of Substance Abuse Services Center conform with U.S. generally accepted accounting principles. The following is a description of significant accounting policies.

Reporting Entity

Substance Abuse Services Center is an Iowa corporation qualifying for exemption from income tax under Section 501 (c) (3) of the Internal Revenue Code.

The Center was originally organized as the Tri-County Citizen's Committee on Alcoholism and Drug Abuse to alleviate the damage of alcoholism and drug abuse, and to reduce the incidents of alcoholism and drug abuse in Dubuque and Delaware Counties. In addition the Center provides gambling abuse services in Linn County.

The Center's mission statement reads as follows:

The mission of Substance Abuse Services Center is to provide quality counseling, education, and support services to address alcohol, drug, and gambling concerns while promoting physical and mental wellness.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Substance Abuse Services Center considers all short-term instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2016 and 2015.

The Organization maintains its cash in bank deposit accounts which, at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash or cash equivalents.

Receivables

Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on the average historical uncollected balance.

Allowance for Doubtful Accounts

An allowance for third party and client receivables is estimated based on the 5 year actual write-off percentage of recorded revenues. The total allowance for June 30, 2016 and 2015 was \$ 8,507 and \$16,473 respectively.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment is stated at cost. Depreciation is computed by the straight-line and accelerated methods over the estimated useful lives of 3-15 years.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(CONTINUED)

(1) Summary of Significant Accounting Policies (Continued)

Compensated Absences

The Center's employees can accumulate a limited amount of earned but unused vacation and sick day benefits. Sick leave is expensed as incurred with no compensation paid for accumulated days upon termination. Amounts for accumulated vacation time have been recorded as liabilities based on current effective rates of pay and are payable upon termination.

Net Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Advertising Costs

Advertising costs are expensed as incurred. Total advertising expense for the years ended June 30, 2016 and 2015 was \$3,152 and \$3,593 respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

All contributions are recorded as the promise to give is received and are considered to be available for unrestricted use unless specifically restricted by the donor.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015 (CONTINUED)

(2) Property and Equipment

A summary of changes in property and equipment is as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Leasehold Improvements	\$ 319,050	\$ -0-	\$ -0-	\$ 319,050
Office Equipment	153,575	3,872	-0-	157,447
Total	<u>\$ 472,625</u>	<u>\$ 3,872</u>	<u>\$ -0-</u>	<u>\$ 476,497</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$29,265 and \$32,648 respectively.

(3) Retirement Plan

The Center's Board of Directors have approved a retirement plan for the benefit of the Center's employees. The plan calls for the Center to make matching contributions of 50% of each employee's contributions to his/her individual tax sheltered annuity account up to a maximum of 3% of the employee's gross compensation. The Center made contributions totaling \$24,342 and \$25,736 relating to the matching of employee contributions for the years ended June 30, 2016 and 2015 respectively.

(4) Lease Agreements

Substance Abuse Services Center entered into a lease agreement with Banner Investments, Dubuque, Iowa for the rental of 8,266 square feet of office space in the Nesler Center. The lease was for five years commencing on July 1, 2009 and ending on June 30, 2014. There was an addendum to the lease for an additional 1,600 square feet of office space effective on July 1, 2009 and ending on June 30, 2014. The monthly lease payment for these two parcels was \$6,577.34.

Substance Abuse Services Center agreed to an addendum to the original lease with Banner Investments for the rental of 339 square feet of office space and 1,152 square feet of storage space. The lease was for five years commencing on July 1, 2009 and ending on June 30, 2014. The monthly lease payments are \$166.68 and \$192.00 respectively. All leases have 3 five year renewal options with rent increases of 5% at each renewal period.

The lease arrangements as stated above were extended in January, 2014 and will have a lease term beginning July 1, 2014 and ending June 30, 2019. The total monthly lease payment will be \$7,282.81 or \$87,393.72 yearly.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015 (CONTINUED)

(4) Lease Agreements (Continued)

Substance Abuse Services Center has entered into a lease agreement with Property Partners LLC, Keokuk, Iowa for the rental of office space in Manchester. The lease was negotiated for five years commencing September 1, 2011 and ending August 31, 2016 with a monthly lease payment of \$1,968.24. The lease has a five-year renewal option with rent increases based on the consumer price index not to exceed 12%. Substance Abuse Services Center shall also reimburse the lessor for 26.4% of the utilities. As of June 26, 2015 the lease was extended through August 31, 2021. Beginning September 1, 2016 the monthly lease payment will be \$2,007.60.

Substance Abuse Services Center entered into a lease agreement with BRB Investments for 1,175 sq. ft. of office space in Cedar Rapids, Iowa. The lease term was for thirteen (13) months from June 1, 2013 through June 30, 2014 for a monthly lease payment of \$1,175. This lease has been renewed and has been extended until June 30, 2017 at a monthly lease payment of \$900.

Rental expense for the years ended June 30, 2016 and 2015 was \$125,113 and \$125,138 respectively.

A summary of minimum operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Manchester</u>	<u>Dubuque</u>	<u>Cedar Rapids</u>	<u>Total</u>
2017	24,012	87,394	10,800	122,206
2018	24,091	87,394	-0-	111,485
2019	24,091	87,394	-0-	111,485
2020	24,091	-0-	-0-	24,091
2021	24,091	-0-	-0-	24,091
2022	4,015	-0-	-0-	4,015
	<u>\$124,391</u>	<u>\$262,182</u>	<u>\$ 10,800</u>	<u>\$ 397,373</u>

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016 AND 2015 (CONTINUED)

(5) Grants Receivable

Grants Receivable at June 30, 2016 and 2015 are composed of the following:

	<u>2016</u>	<u>2015</u>
Iowa Department of Correction Services - Drug Court	\$ 6,083	\$ 6,083
United States Probation Office	1,232	964
Iowa Department of Public Health - Gambling Treatment N.E. Iowa	16,228	49,388
Iowa Department of Public Health - Gambling Treatment - Linn Co.	14,085	41,793
Iowa Department of Public Health - Access to Recovery	<u>13,516</u>	<u>19,595</u>
	<u>\$ 51,144</u>	<u>\$ 117,823</u>

(6) Board Designated Net Assets

Board Designated net assets at June 30, 2016 and 2015 include the following:

	<u>2016</u>	<u>2015</u>
A) SUTA Claims Account	\$ 45,389	\$ 43,844
B) An Electronic Health Record Reserve	<u>\$ 100,000</u>	<u>\$ 41,969</u>

(7) Center Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

SUBSTANCE ABUSE SERVICES CENTER

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(CONTINUED)

(8) Economic Dependence

Previous to January 1, 2016 the Center had a contract agreement for managed care services with Magellan Behavioral Health, Inc.. The contract expired December 31, 2015. The Center entered into an agreement with Amerigroup effective April 1, 2016 with an expiration date of June 30, 2016 to provide managed care services. This agreement was extended to expire June 30, 2017. For the year ended June 30, 2016 the managed care revenue represented 33.21% of total revenue and for June 30, 2015 33.41%.

(9) Subsequent Events

Subsequent events have been evaluated through September 13, 2016 which is the date the financial statements were available to be issued.

SUBSTANCE ABUSE SERVICES CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

Schedule I

<u>Grantor/Program</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Contract Program Expenditures</u>
Direct:			
United States Probation Office Probation Services Contract			\$ <u>10,710</u>
Indirect:			
United States Department of Health and Human Services:			
Iowa Department of Public Health:			
Division of Substance Abuse:			
Magellan Behavioral Health, Inc.			
Alcohol and Drug Abuse and			
Mental Health Block Grant -			
Managed Care		93959	\$ 122,892
Division of Behavioral Health		92243	<u>78,464</u>
Total Indirect			\$ <u>201,356</u>
Total			<u><u>\$ 212,066</u></u>

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Jim Kircher & Associates, P.C.
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Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees
Substance Abuse Services Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Substance Abuse Services Center, Dubuque, Iowa, (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Substance Abuse Services Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Substance Abuse Services Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Substance Abuse Services Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JIM KIRCHER & ASSOCIATES, P.C.

A handwritten signature in cursive script that reads "Jim Kircher & Associates, P.C.".

Dubuque, Iowa
September 13, 2016